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What are Quasi Contracts under Indian Contract Act

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A quasi contract is a fictional contract recognized by a court. The notion of a quasi-contract can be traced to Roman law and is still a concept used in some modern legal systems.

The contract aims to prevent one party from unfairly benefiting from the situation at the other party's expense. These arrangements may be imposed when goods or services are accepted, though not requested, by a party. The acceptance then creates an expectation of payment.

A quasi contract is also known as an implied contract. It would be handed down ordering the defendant to pay restitution to the plaintiff. The restitution, known in Latin as quantum meruit, or amount earned, is calculated according to the amount or extent to which the defendant was unjustly enriched

Quasi contracts are such contracts where legal obligations are imposed by law without offer and acceptance. The quasi contractual obligations are based on the principle that law as well as justice should try to prevent unjust enrichment i.e. enrichment of one person at the cost of another and the retention of such enrichment must also be unjust. In an action for unjust enrichment the following essentials have to be proved:

- The defendant has been 'enriched' by the receipt of a 'benefit'
- The enrichment should be at the expense of the plaintiff
- The retention of the enrichment should be unjust



The Contract Act describes these obligations as ‘certain relations resembling those created by law’. Following are the types of quasi contracts which are recognized by Indian Contract Act 1872:

Necessaries

Section 68 of the Contract Act states, “If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.”

Section 68 permits reimbursement if:

- Necessaries are supplied
- To a person who is incapable of making a contract, or,
- To a person who is dependent upon such person incapable of making contract i.e. a person whom the incapable person is legally bound to support
- Suited to that person’s conditions in life

Necessaries do not mean the bare necessities but means such things as may be necessary to maintain a person according to his conditions in life. It depends upon the status of a person and also his requirements at the time of actual delivery of the goods.

Minor's agreement being void ab inito he cannot therefore be asked to pay for the services rendered or goods supplied to him but the law recognises a quasi contractual obligation for the payment of necessaries supplied to a minor or lunatic from their estate.

Payment by an Interested Person

Section 69 of the Contract Act reads, "A person, who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other."

The following conditions must be satisfied to make a person liable for such quasi contractual obligation:

1. The plaintiff should be interested in making the payment. It is not necessary that he should have a legal proprietary interest in the property in respect to which payment is made. His honest belief that he has an interest to protect is enough.
2. The plaintiff himself should not be bound. He should only be interested in making the payment to protect his own interest.
3. The defendant should be under the legal compulsion to pay the money
4. The plaintiff should have made the payment to another person and not to himself.

Liability to pay for Non-Gratuitous Act

Section 70 of the Contract Act states, :Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered."

Following three conditions must be satisfied before Section 70 can be applied:

1. A person should lawfully do something for another person or deliver something to him
2. In doing the said thing or delivering the said thing he must not intend to act gratuitously
3. The other person for whom something is done or to whom something is delivered must enjoy the benefit thereof.

In cases falling under Section 70 the person doing something for another cannot sue for specific performance nor ask for damages for breach as there is no contract between the parties. All that

Section 70 provides for is that if the services or goods are accepted a liability to pay arises.

The person for whom the act is done is not bound to pay unless he had the choice to reject the services. Also it is necessary that services should have been rendered without any request and lawfully. The defendant must have derived a direct benefit from the payment or services.

Finder of Goods

Section 71 of the Contract Act states, "A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee."

A bailee is bound to take as much care of the goods as a man of ordinary prudence would, under similar circumstances, take his own goods for the same bulk, quality and value. To avoid the liability of criminal misappropriation of property, the finder must try to find out the real owner of the goods and must not appropriate the property to his own use. However if the goods are perishable then the finder of goods may use them after taking reasonable measures.

Mistake or Coercion

Section 72 of the Contract Act states, "A person to whom money has been paid, or anything delivered, by mistake or under coercion, must repay or return it."

The payment by mistake refers to a payment which was not legally due and which could not have been enforced; the mistake is thinking that the money paid was due when in fact it was not due. The payment made under coercion or undue pressure shall be treated in same way as payment made under mistake. This quasi contractual obligation arises from the principle of 'unjust enrichment' it incorporates rule of equity. Thus if the claimant has not suffered any prejudice or loss then, there arises no question of reimbursing him.

The word coercion is Section 72 implies undue pressure. It has been used in its general and ordinary sense and not as defined in Section 15 of the Contract Act.

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First published on November 9, 2020.